



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
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May 26, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **WATTS LABOR COMMUNITY ACTION COMMITTEE CONTRACT -
WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Watts Labor Community Action Committee (WLCAC or Agency), a Workforce Investment Act (WIA) Program service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

Background

The Department of Community and Senior Services (DCSS) contracts with WLCAC, a private, non-profit agency to provide and operate the WIA youth program. The WIA youth program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. WLCAC's office is located in the Second District. WLCAC is compensated on a cost reimbursement basis. For fiscal year (FY) 2004-2005, DCSS paid WLCAC approximately \$63,435 and for FY 2005-2006, WLCAC's contract is for approximately \$87,705.

Purpose/Methodology

The purpose of the review was to determine whether WLCAC complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to youth participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

Results of Review

The program participants/guardians interviewed stated that the services they received met their expectations. In addition, the expenses that WLCAC billed DCSS were allowable and supported by documentation.

For the five (100%) youth participants sampled, WLCAC staff did not review the Individual Service Strategy (ISS) plans with the participants on a monthly basis as required. For one (20%) of the five participants, WLCAC did not obtain appropriate documentation to support the participants' eligibility to receive program services. In addition, for three (60%) of the five participants, WLCAC did not update the Job Training Automation (JTA) system to report the program activities that the participants completed as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with WLCAC on May 4, 2006. In their attached response, WLCAC concurred with our findings and recommendations. We also notified DCSS of the results of our review.

We thank WLCAC for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Timothy Watkins, President and CEO, Watts Labor Community Action Committee
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
WATTS LABOR COMMUNITY ACTION COMMITTEE
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Watts Labor Community Action Committee (WLCAC or Agency) provided services to youths that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of five (16%) youth program participants from a total of 31 participants that received services between July 2005 and February 2006. We reviewed the five case files for documentation to confirm their eligibility for WIA program services.

Results

For one (20%) of the five participants, WLCAC did not obtain appropriate documentation to support the participants' eligibility to receive program services as required by WIA guidelines. Specifically, WLCAC did not obtain documentation to support the participant's social barrier category as required, such as, the youth's parole letter, police record, basic skills deficiency test, etc.

Subsequent to our review, WLCAC provided appropriate documentation to support the participant's eligibility.

Recommendations

WLCAC management:

- 1. Ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**
- 2. Review the eligibility documentation for all program participants and repay DCSS for services provided to participants that were not eligible to receive services.**

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether WLCAC provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the youth program participants actually received the billed services.

Verification

We reviewed the documentation contained in the case files for five (16%) program participants that received services during July 2005 and February 2006. We also interviewed four youth participants/guardians. We were not able to contact one of the youth participants/guardians.

Results

The four program participants/guardians interviewed stated that overall the services they received from WLCAC met their expectations. However, WLCAC did not review the Individual Service Strategy (ISS) plans on a monthly basis for the five participants as required by WIA guidelines.

For four (80%) of the five participants, WLCAC did not update the Job Training Automation (JTA) system to report the program activities that the participants completed as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. In addition, for one participant, WLCAC did not administer the post-assessment within one year of the pre-assessment. The pre-assessment was completed on December 7, 2004. As of February 22, 2006, the post-assessment was not completed.

Recommendations**WLCAC management:**

3. Ensure that staff review the ISS plan with the participants on a monthly basis.
4. Ensure that staff update the JTA system to reflect the participants' activities.
5. Ensure that the post-assessment is administered within one year of the pre-assessment as required.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed WLCAC's bank reconciliations.

Results

Generally, WLCAC maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, WLCAC did not complete monthly bank reconciliations on an ongoing basis. As of February 2006, WLCAC's last completed bank reconciliation covered November 2005. However, the November 2005 bank reconciliation was not signed by either the preparer or the approver, and contained three checks totaling \$165 that were outstanding for over 90 days.

Recommendations

WLCAC management:

- 6. Ensure that bank reconciliations are completed monthly and signed by the preparer and approver.**
- 7. Ensure that outstanding checks are investigated and resolved in a timely manner.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 11 (21%) of the 52 non-personnel expenditure transactions billed by the Agency for July, August, and October 2005, totaling \$765.

Results

Generally, WLCAC's expenses were allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in areas such as expenditures, payroll and personnel.

Results

WLCAC did not have a fire inspection certificate or a building permit. In addition, WLCAC did not have a procurement manual and the accounting manual was incomplete. According to WLCAC management, they are in the process of developing the procurement and accounting manuals.

Recommendations

WLCAC management:

8. Ensure that the fire and building inspections are performed.
9. Ensure that written procurement and accounting manual is developed in compliance with WIA guidelines.

FIXED ASSETS AND EQUIPMENT

Determine whether WLCAC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section. WLCAC did not use WIA funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for four employees in August 2005, totaling approximately \$4,058 (94%) out of \$4,327, to the payroll records and time reports. We also interviewed one staff and reviewed personnel files for three staff assigned to the WIA program.

Results

WLCAC appropriately charged the payroll expense to the WIA program as required. However, for one (33%) of the three personnel files reviewed, a current performance evaluation was not maintained in the file. The most current performance evaluation for the employee was dated January 30, 2003.

Subsequent to our review, the employee's performance evaluation, dated May 2005, was provided for our review

Recommendation

10.WLCAC management ensure that performance evaluations are kept current and maintained in the personnel files.

COST ALLOCATION PLAN**Objective**

Determine whether WLCAC's cost allocation plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed WLCAC's cost allocation plan and reviewed a sample of expenditures incurred by the Agency during July, August, and October 2005.

Results

WLCAC's cost allocation plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.



WATTS LABOR COMMUNITY ACTION COMMITTEE

"Changing the face of a community... Moving the lives of a people"

10850 South Central Avenue, Los Angeles, California 90059 • Telephone 323.563.5639 • Facsimile 323.923.1474

TED WATKINS
FOUNDER/ADMINISTRATOR
1965-1993

TIMOTHY WATKINS
PRESIDENT

DR. MESSELE NEGASH
VICE PRESIDENT

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SHAMIKA SHOULDERS

TRUSTEE EMERITI:
BERNICE WATKINS
ELIZABETH "PAT" EASTMAN

May 15, 2006

J. Tyler McCauley
Auditor-Controller
County of Los Angeles department of Auditor-Controllers
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-5766

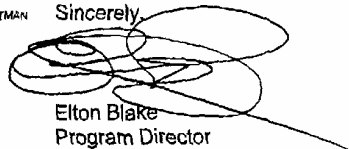
Re: PY 2005-2006 Contract CN# 20085 Corrective Action Response

Dear Mr. McCauley:

The following is The Watts Labor Community Action Committee, response to the program, fiscal and administrative review conducted by the Auditor Auditor-Controller's countywide Contract Monitoring Division.


If you have any further questions, please contact Elton Blake at (323) 563-5683 or via email at elblake@wlcac.org.

Sincerely,



Elton Blake
Program Director

Approved by:



Timothy Watkins
CEO/President

Cc: Dr. Messele Negash
Adriana Camacho
Parker Anderson
Keith Eaton
Yoon S. Bae

| CORRECTIVE ACTION PLAN (CAP) LA County Youth Response to Findings Fiscal Year 2005-2006 | | | |
|---|--|---|--|
| Finding | Agency Response/Action Taken/To Be Taken to Resolve Finding/Issue | Staff(s) Responsible | Estimated Completion Date |
| Eligibility For one (20%) of the five participants, WLCAC did not obtain proper documents to support the participant's eligibility to receive program services as required by WIA guidelines. Specifically, WLCAC did not obtain documentation to support the participant's barrier category as required. | WLCAC has already taken steps to ensure proper eligibility determination documents are obtained prior to the provision of services. For all participants deemed eligible for services, files will be submitted to the Project Coordinator for review and approval. Additionally, WLCAC will perform monthly monitoring to avert further occurrence(s) of such deficiencies. | Project Director Project Coordinator Case Manager/Job Developer | Effective Immediately |
| Subsequent to our review, WLCAC provided appropriate documentation to support the participant's eligibility. | For the participant in question, the appropriate documents have been placed in the participant's file. | | |
| Billed Services/Client verification The four program participants/guardians interviewed stated that overall the services they received from WLCAC met their expectations. However, WLCAC did not review the Individual Service Strategy (ISS) plans on a monthly basis for the five participants as required by WIA guidelines. | WLCAC will be performing a 100% file review to correct this deficiency. | Project Director Project Coordinator Case Manager/Job Developer | Effective Immediately and ongoing thereafter |
| For four (80%) of the five participants, WLCAC did not update the Job Training Automation (JTA) system to report the program activities that the participants completed as required. In addition for one participant, WLCAC did not administer the post-assessment within one year of the pre-assessment. | WLCAC will be performing a 100% file review to correct this deficiency. This deficiency occurred because the Department of Community and Senior Services (DCSS) updated their software (Procom Plus), which subsequently necessitated WLCAC to also upgrade its software. WLCAC will purchase the updated version of the software. Meantime, all files are being checked to correct this deficiency. | Project Director | Within 30 days |

| CORRECTIVE ACTION PLAN (CAP) La County Youth | | | | |
|--|--|---|--|-----------------------|
| Cash/Revenue | <p>Bank Reconciliations were not done on an ongoing basis. As of February 2006, WLCAC's last completed bank reconciliation covered November 2005. However, the November 2005 bank reconciliation was not signed by either the preparer or the approver, and contained three checks outstanding for over 90 days.</p> <p>Internal Control: WLCAC did not have a fire inspection certificate or building permit. In addition, WLCAC did not have a procurement manual and the accounting manual was incomplete.</p> | <p>Bank Reconciliations are done on a monthly basis. All Bank Reconciliations are signed by the preparer and reviewed and signed by CFO. All non-reconciled items over 90 days old are written off in the subsequent month.</p> | Chief Financial Officer | Immediate and ongoing |
| Payroll and Personnel | <p>WLCAC did not have a fire inspection certificate or building permit. In addition, WLCAC did not have a procurement manual and the accounting manual was incomplete.</p> | <p>The Occupancy Permit and a Fire Inspection Certificate for the facility is attached herewith.</p> <p>The Procurement Manual and Accounting Manuals have been revised.</p> | <p>Project Director</p> <p>Chief Financial Officer</p> | Ongoing |
| Payroll and Personnel | <p>WLCAC appropriately charged the payroll expense to the W/A program as required. However, for one (33%) of the three personnel files reviewed, a current performance evaluation was not maintained in the file. The most current performance evaluation the employee was dated January 30, 2003. Subsequent to our review, the employee's performance evaluation, dated May 2005, was provided for our review.</p> | <p>WLCAC will keep the employee performance evaluation on all employees current.</p> | <p>Project Director</p> <p>Human Resource Manager</p> | Ongoing |

WATTS LABOR COMMUNITY ACTION COMMITTEE
ACCESS CENTER

ATTACHMENT 1.4

NOTE: THE SUBJECT
OCCUPANCY PERMIT WAS
ISSUED TO A PRIOR OWNER IN
the 1950's

WLCAC COMPLETED
RENOVATIONS ON THE
BUILDING IN THE EARLY
1970's, BUT THE OCCUPANCY
PERMIT FOR THESE
RENOVATIONS WAS LOST IN
THE 1992 LOS ANGELES RIOT
FIRES WHICH DESTROYED
WLCAC's
HEADQUARTERS BUILDING,
AND HAS NOT YET BEEN
LOCATED IN THE CITY'S
BUILDING AND SAFETY
RECORDS.

WLCAC OPERATED THE
SUBJECT FACILITY - WITH A
PERMIT WHICH ALLOWED USE
OF THE PREMISES AS A
SCHOOL, FROM THE TIME THE
ABOVE MENTIONED
RENOVATIONS WERE
COMPLETED, UNTIL 1994.

F-340C

| City of Los Angeles DEPARTMENT OF FIRE FIRE/LIFE SAFETY VIOLATION | |
|--|--|
| | NOTICE # 21579 |
| | BUILDING ID 02382 001 |
| | NOTICE DATE 07/25/05 |
| | INSP DATE 07/25/05 |
| | REINSPECT DATE 08/25/05 |
| FIRE-ALARMER INFO TO: WLCAC / WORK SOURCE CAMACHO, ADRIANA 958 E 108TH ST LOS ANGELES, CALIFORNIA 90059 | LEGAL DESCIP -- FS DISTRICT 065 DISTRICT# 143 COUNCIL DIST 08 |
| DBA WLCAC / WORK SOURCE | |
| ADDRESS OF VIOLATION 958 E 108TH ST LOS ANGELES, CA 90059 | |
| RESPONSIBLE PARTY: () - x EMERGENCY PHONE: () - x | |

COMPLY WITH REQUIREMENTS AS NOTED

A fire and life safety inspection was made of your facility. The following condition shall be corrected:

1. LAMC 57.33.15(C): Repair or replace burned out bulbs in exit sign and change arrow so it points towards lobby entrance. Interior lighted exit signs shall be illuminated with 2 bulbs of 15 watts each.

Thank you for your immediate attention to our mutual problem of fire prevention and life safety.

958 E 108TH ST #01, LOS ANGELES 90059
DBA: WLCAC

07/25/05

NOTICE # 21579
BUILDING ID--02382 001

Observations / Comments / Compliance Notes

8/25/05 was cancelled not a

WARNING

Sections 17299 and 24436.5 of the State Revenue and Taxation Code provide, in part, that a taxpayer, who derives rental income from housing determined by the local regulatory agency to be substandard by reason of violation of state or local codes dealing with health, safety or building, cannot deduct from state personal income tax and bank and corporation income tax deductions for interest, depreciation, taxes or amortization attributable to such substandard structure where the substandard conditions are not corrected within six (6) months after notice of violation by the regulatory agency. THE DATE OF THIS NOTICE MARKS THE BEGINNING OF THAT SIX MONTH PERIOD. This Department is required by law to notify the Franchise Tax Board of failure to comply with these Code sections.

PLEASE BE ADVISED THAT THE ABOVE WARNING IS FOR PURPOSES OF COMPLIANCE WITH THE STATE REVENUE AND TAXATION CODE ONLY. COMPLIANCE WITH OTHER LAWS AS NOTED ON THIS INSPECTION REPORT OR NOTICE OF VIOLATION MUST BE MADE WITHIN THE TIME SPECIFIED ON THE REPORT OR NOTICE.

FAILURE ON YOUR PART TO COMPLY WITH THIS NOTICE ON OR BEFORE 08/25/05 WILL SUBJECT YOU TO PENALTIES PRESCRIBED BY ORDINANCE. A REINSPECTION OF THE PREMISES WILL BE MADE FOR FULL COMPLIANCE. NONCOMPLIANCE WITH THIS ORDER SHALL RESULT IN A NONCOMPLIANCE FEE BASED UPON A FIRE INSPECTOR'S TOTAL HOURLY RATE, TWO HOUR MINIMUM CHARGE, FOR EACH REINSPECTION REQUIRED. CURRENT MINIMUM CHARGE IS \$242 PER REINSPECTION.

OWNER/RESPONSIBLE PARTY:

FOR ADDITIONAL INFORMATION
PHONE:

(310) 732-4580

BY ORDER OF THE CHIEF ENGINEER AND GENERAL MANAGER
BOB COE, JENNIFER HARBOR IND

BY INSPECTOR ASSIGNMENT SIGNATURE

Fire Department Use----

I DISCUSSED THE VIOLATIONS
ON THIS NOTICE WITH

ON

I DELIVERED THIS NOTICE ON:

DATE

TO

DATE

MEMBER SIGNATURE

I MAILED THIS NOTICE VIA U.S. MAIL ON:

DATE

TO

RESPONSIBLE PARTY

MEMBER SIGNATURE

COMPLIANCE ON:

9/26/05

DATE

MEMBER SIGNATURE

FORWARDED TO LEGAL LIASON ON:

DATE

MEMBER SIGNATURE